

Minnesota Public Utilities Commission
Staff Briefing Papers

Meeting Date: October 15, 2014 *Agenda Item # 3

Company: Northern States Power Company (Xcel)

Docket No. G002/M-14-540
In the Matter of the Petition of Northern States Power Company for Modifications
to the Interruptible Service Tariffs

Issue: Should the Commission approve Northern States Power Company's request to
modify its Interruptible Service Tariffs?

Staff: Bob Brill 651-201-2242

Relevant Documents

Xcel's Initial Petition June 27, 2014
Department of Commerce (Department) Comments August 4, 2014
Xcel's Reply Comments August 14, 2014

The attached materials are workpapers of the Commission Staff. They are intended for use by the Public Utilities Commission and are based upon information already in the record unless otherwise noted.

This document can be made available in alternative formats (i.e., large print or audio) by calling 651-296-0406 (voice). Persons with hearing or speech disabilities may call us through their preferred Telecommunications Relay Service.

October 7, 2014

Statement of the Issue

Should the Commission approve Northern States Power Company's request to modify its Interruptible Service Tariffs?

Introduction

Xcel stated that the 2013-2014 heating season was marked by extreme weather conditions and pipeline incidents that raised significant concerns about maintaining system operations and reliability for firm customers. Xcel proposed certain changes in its Interruptible Service tariffs to address these concerns. The Department supports Xcel's proposed modifications.

The only issue that needs to be resolved is whether Xcel should be directed to provide in writing within 30 days (for incorporation into its tariff), Xcel's policies and procedures for disconnection of service for unauthorized gas consumption. The Department recommended Xcel clarify its policies and procedures. Xcel agreed to make a compliance filing that addresses this issue if so directed by the Commission.

Northern States Power Company, doing business as Xcel Energy ("Xcel")

Xcel stated that it had an unprecedented number of interruptible service customers not curtailing their usage during curtailment periods during the 2013-2014 heating season. Because of the failure of interruptible customers to follow curtailment orders, Xcel was unable to achieve its expected level of system relief from curtailments which prompted concerns about maintaining system operations and reliability for firm customers. Xcel noted that about 40 percent of its interruptible customers used unauthorized gas during at least one curtailment event and some interruptible customers used unauthorized gas during every curtailment event.

Based on the operational response of its interruptible customers, Xcel concluded that a change in its interruptible service tariff was necessary. Xcel identified three areas in the tariff that need modification:

1. An increase in the penalty charge for the use of unauthorized gas from \$1.00 per therm to \$5.00 per therm;
2. The addition of stronger tariff language that unambiguously states that paying a penalty does not give customers the right to continue to take unauthorized gas and that Xcel has the right to shut off a customer's gas for failure to curtail; and
3. Corrections of various typographical and formatting errors.

In its August 14th *Reply Comments*, Xcel agreed with the Department's recommendation that it should include new language in its tariff sheets.¹ Xcel stated that it currently does not have a

¹ Xcel listed the effected tariff sheets as, **Minnesota Gas Rate Book – MPUC No. 2:**

Sheet No. 5-4.1, revision 4

Sheet No. 5-33, revision 1

Sheet No. 5-8, revision 5

Sheet No. 5-54, revision 6

formal written set of policies and procedures that address its rights to move interruptible customers to a firm rate or that explains who is responsible for reconnection costs if a customer is disconnected for non-compliance with curtailment orders. Xcel agreed to examine these issues in greater detail and make a compliance filing in this docket, within 30 days of the Commission's Order if so directed. . Xcel further agreed to provide an analysis of unauthorized gas consumption by interruptible customers during the last heating season in its annual automatic adjustment ("AAA") report.

Department of Commerce ("Department")

The Department stated that when interruptible customers operate in a manner outside of the utility company's tariff, the result can impair firm customer system reliability. Xcel's peak-day requirement is based on its firm customers' usage and firm customers are the customers who are primarily responsible for paying for the demand entitlements that assure delivery of gas. The interruptible customers do not assume any cost responsibility for peak demand, therefore, should not use system resources during periods of curtailment.²

Increase penalty charge for use of unauthorized gas from \$1.00 per therm to \$5.00 per therm

The Department analysis concluded that a penalty charge should be set at a level that is punitive enough that unauthorized use is eliminated or only occurs infrequently. The Department's analysis compared the price of natural gas (including the proposed penalty) to the cost of alternative fuel sources. The Department believes the proposed \$5/therm penalty is reasonable since it brings the cost of unauthorized gas above other alternatives.³

Add stronger language that paying a penalty does not give customers the right to continue to take unauthorized gas and that Xcel has the right to shut off a customer's gas for failure to curtail;

Xcel proposed stronger language for its interruptible service tariff.

Xcel's current language states:

Such payments, however, shall not preclude the Company from shutting off customer's supply of gas in the event of customer's failure to curtail, interrupt, or restrict the use thereof when requested by the Company to do so.

Sheet No. 5-12, revision 5

Sheet No. 5-19, revision 6

Sheet No. 5-26, revision 6

Sheet No. 5-27, revision 1

Sheet No. 6-24, revision 3

Sheet No. 7-11, revision 4

Sheet No. 7-20, revision 4

² If interruptible customers consumption regularly occurs during a peak day and cannot be distinguished from firm consumption, then expected consumption on a peak day will be over-estimated and Xcel will procure more demand entitlements than would be the case if peak-day consumption were estimated based only on firm customer consumption. These additional demand entitlements will create higher rates for firm customers and those interruptible customers creating the need for these additional costs will not share in the cost.

³ For the Department's analysis, see its August 4, 2014 Comments, pp. 2-4 and DOC Attachments 1-3

Xcel's proposed language states:

The payment of a penalty shall not, under any circumstances, be considered as giving the customer the right to continue to take unauthorized gas. Nor shall such payment be considered to exclude or limit any other remedies available to the Company, including, but not limited to, shutting off customer's supply of gas in the event of customer's failure to curtail, interrupt, or restrict the use thereof when requested by the Company to do so.

The Department believes the proposed language clarifies the consequences of unauthorized gas use.⁴ The Department identified other areas of Xcel's tariff that should be updated with Xcel's proposed unauthorized gas use language.⁵ Further, the Department recommended that Xcel review its entire gas tariff and make any other changes needed to bring the rest of the tariff in line with the language proposed in this Petition.

In addition, the Department commented that Xcel's current tariff gives it the authority to disconnect interruptible customers who fail to comply with a called curtailment. However, Xcel's current tariff does not clearly say who is responsible for the cost of reconnection should an interruptible customer be disconnected for unauthorized use or for Xcel's cost of switching the customer to a different rate service, i.e. firm. The Department recommended that more explicit language outlining Xcel's authority, and obligation, to maintain system reliability should be added to Xcel's tariff.⁶

Further the Department noted that Xcel's tariff is unclear on what amount of unauthorized gas use would warrant service disconnection and how the threat of disconnection for unauthorized use would be exercised by Xcel. The Department requested that Xcel provide in **Reply Comments** its current policies and procedures regarding the disconnection of service for unauthorized gas consumption.

The Department recommended that if Xcel does not currently have a policy or procedure in place, Xcel should examine this issue and make a compliance filing within 30 days of the Commission's Order that explains in detail its proposed policies and procedures for disconnecting service for unauthorized gas consumption, including proposed revised tariff sheets that incorporate those policies and procedures.

Clean-up of various typographical and formatting errors that require correction

The Department reviewed Xcel's proposed changes and concluded they are reasonable.

⁴ See the Department's analysis in its August 4, 2014 Comments, p. 4

⁵ The Department noted that several areas within Xcel's natural gas tariff addresses interruptible service, and concluded that its tariff should be updated to include an additional statement in its interruptible tariffs, interruptible gas service agreements, and general rules and regulations tariff outlining Xcel's authority to manage its system reliability. This included situations in which customer's gas service may be disconnected by breach of contract for service and failure to comply with any of Xcel's rules on file with the Commission.

⁶ See the Department's analysis in its August 4, 2014 Comments, pp. 4-5

PUC Staff Comment

The Department recommended that the Commission approve Xcel's Petition with the following modifications.

1. Xcel's proposed tariff language, quoted below, should be added to the last sentence in Sub-Section 4.0 of all applicable gas service agreements in Section 7 of the Company's tariff, and the last sentence of the first paragraph in Section 6.2 of the General Rules and Regulations portion of the tariff book.⁷

The payment of a penalty shall not, under any circumstances, be considered as giving the customer the right to continue to take unauthorized gas. Nor shall such payment be considered to exclude or limit any other remedies available to the Company, including, but not limited to, shutting off customer's supply of gas in the event of customer's failure to curtail, interrupt, or restrict the use thereof when requested by the Company to do so.

2. Xcel should include the following language in its tariff.

An interruptible customer's unauthorized use of gas during an interruption is a breach of the terms of service. Xcel reserves the right to discontinue service for such unauthorized use of gas and/or move non-compliant customers to a different rate class. If an interruptible customer's service is reconnected following a breach of the terms of service or unauthorized use of gas, the customer will reimburse the Company for the cost of reconnection.⁸

3. Beginning with the Company's annual true-up and annual automatic adjustment filings due on September 1, 2014, the Commission should require Xcel to file a review and provide an analysis of unauthorized gas consumption by interruptible customers during the preceding heating season. (Xcel should amend its September 1, 2014 filing to include this information.)
4. Xcel, in *Reply Comments*, should state its current policies and procedures regarding the disconnection of service for unauthorized gas consumption and submit a draft tariff that illustrates this policy. If the Company does not currently have a policy or procedure in place, the Department recommended that the Commission require Xcel to examine this issue in greater detail and make a compliance filing in this docket, within 30 days of the Commission's Order in this docket, showing a draft of policies and procedures for the disconnection of service for unauthorized gas consumption.

⁷ The Department further recommended that Xcel review its entire gas tariff and make any other changes needed to bring the rest of the tariff in line with the above-quoted language.

⁸ The Department recommended that this language be inserted at the end of the Additional Charge for Unauthorized Use of Gas During Service Curtailment, Interruption, or Restriction in each of the Company's interruptible tariff sheets in Section 5, the end of Sub-Section 4 of all relevant service agreements in Section 7 of Xcel's tariff, and after the first paragraph in Sub-Section 6.2 of the General Rules and Regulations of the Company's tariff (Section 6).

PUC staff agrees with all the Department's recommendations, especially, after the 2013-2014 heating season when Minnesota incurred some of the coldest weather in recent history combined with a major pipeline incident on the TransCanada system. If interruptible customers are curtailed, the customers should comply as directed by Xcel.

But, in reality, customer decisions are often driven by economic factors where other alternative fuel sources are more expensive than taking the unauthorized gas plus the penalty charge during curtailment periods, which was the case this past heating season. "Tightening up" Xcel's interruptible tariff provisions and increasing the unauthorized gas use penalty to \$5/therm makes it uneconomical for interruptible customers to use this course of action during curtailment periods. Xcel's peak period has been designed for its firm customers and it has purchased enough demand entitlements to service these customers. The interruptible customers who are paying little more than the commodity cost of gas are not entitled to use the system during periods of curtailment. Interruptible customers unauthorized gas use should not be subsidized by Xcel's firm customers.

Decision Alternatives

1. Adopt and approve the Department's recommendations as listed and amended above and require Xcel to make a compliance filing within 30 days that states Xcel's proposed policies and procedures regarding disconnection of service for unauthorized gas consumption and includes a draft tariff that illustrates this policy.
2. Do not approve Xcel's requested modifications to its interruptible service tariff.